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NASA Procedural Requirements

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Subject: Property, Plant, and Equipment and Operating Materials and Supplies

Responsible Office: Office of the Chief Financial Officer

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Chapter 3. Real Property

3.1 Overview

3.1.1 This chapter sets forth the accounting standards and policies related to NASA's real property to assure compliance with statutory and regulatory requirements. These requirements ensure financial control over NASA-owned real property, including both NASA-held and contractor-held.

3.1.2 This chapter applies to all NASA-owned and NASA-owned, contractor-held real property. Contractor-held real property is NASA-owned property in the possession of a contractor.

3.2 Roles and Responsibilities

3.2.1 Refer to Section 1.6 of this NPR document.

3.3 Capitalization Criteria and Identification

3.3.1 Real property PP&E consists of buildings, facilities, and other infrastructure that are defined as institutional and are presumed to have an alternative future use. Institutional acquisitions are property used in normal operations not specific to a program or mission. Therefore, NASA shall capitalize new construction or acquisition of real property PP&E which meet all of the following criteria:

- a. Have a unit acquisition cost of \$100,000 or more.
- b. Have an estimated useful life of two years or more.
- c. Have been acquired or constructed with the intention of being used, or being available for use, by the Agency.

3.3.1.1 Items not meeting the above criteria shall be expensed in the period incurred.

3.3.2 Modifications to existing real property PP&E are considered single events and shall be capitalized as capital improvements when the modifications have an individual cost of \$100,000 or more and meet one of the following criteria:

- a. Extend the useful life of the asset by two years or more.

b. Enlarge or improve its capacity.

c. Otherwise upgrade it to serve needs different from, or significantly greater than, those originally intended.

3.3.2.1 Capital Improvements are capitalized and depreciated. Modifications that do not meet the capitalization criteria are expensed.

3.3.2.2 Costs of real property acquisitions and capital improvements meeting the capitalization criteria shall be segregated for identification and tracking through the establishment of unique WBS elements with capital asset indicators.

3.3.2.3 Maintenance costs incurred to maintain an asset in a useable condition do not meet the criteria for capitalization. Therefore, these costs are expensed when incurred.

3.4 Recognition

3.4.1 WIP (Assets Under Construction).

3.4.1.1 Costs of new construction or capital improvements of real property that meet the capitalization criteria outlined above shall be captured as WIP through the establishment of unique WBS elements with capital asset indicators until the asset is beneficially occupied or placed in service, whichever occurs first.

3.4.1.2 The status of each new construction or capital improvement real property project recorded in WIP shall be monitored on a monthly basis based on the percentage of completion. Once a project has reached 95 percent completion, information must be obtained to determine if the beneficial occupancy has been issued or the PP&E has been placed in service.

3.4.1.3 When PP&E being recorded in WIP is complete or beneficially occupied, the total capital cost recorded as WIP shall be transferred to Capital PP&E. The capital balances transferred from WIP must be supported by sufficient supporting documentation, and any variances between the amount transferred and the supporting documentation must be reviewed and approved by the Agency Director of Financial Management prior to processing any manual adjustments.

3.4.1.4 Capitalization shall begin on the date the PP&E are placed in service or beneficial occupancy date. This event is defined as the date on which the facility or improvement to a facility is available for use by NASA. The capitalization of WIP must not be delayed pending final acceptance of residual closeout work, such as punch lists.

3.4.1.5 Year End. At fiscal year end, special care shall be taken to ensure that real property PP&E meeting capitalization criteria, including beneficial occupancy, are capitalized in the amount of the costs incurred up to that time, regardless of whether or not any of those costs remain unpaid.

3.4.2 The cost of Real Property PP&E constructed by or through foreign governments or in foreign countries under NASA contracts shall be capitalized in accordance with the title rights contained in formal agreements.

3.4.3 When a party other than NASA constructs a facility that becomes NASA PP&E under the terms of a reimbursable agreement, that property shall be capitalized at the estimated fair market value of the facility, if the actual cost is not provided by the party that constructed the facility.

3.5 Valuation

3.5.1 Capitalized values shall include all costs incurred to bring PP&E to a form and location suitable for its intended use as outlined in Section 2.3 of this NPR.

3.5.2 Where a replacement of a component occurs due to a capital improvement, such as utility system in a facility, the accounts shall be appropriately adjusted to remove the values of items replaced (where those original values are \$100,000 or more). If only a portion of the property is being replaced and that portion is not separately identifiable in the accounting records, the value of the replaced portion must be estimated and the accounts adjusted accordingly. Removal of an item's recorded cost will be treated as a separate accounting transaction from the recording of additions or replacements. Replacements due to maintenance must be expensed.

3.5.3 If a reduction in the capitalized value of an asset occurs as a result of a modification and causes the value of the asset to drop below \$100,000, it shall be removed from the general ledger accounts for capitalized PP&E.

3.5.4 Unrecorded Real Property.

3.5.4.1 Real property that is identified during inspections or inventories as found on station that has not been recorded shall be valued at its estimated value based on similar items, engineering estimates, or other reasonably supportable methodologies. If supporting documentation for the original acquisition is available, the property must be valued based on the supporting documentation.

3.6 Depreciation

3.6.1 See Section 2.6 for depreciation methods.

3.6.2 The useful life of real property acquisitions construction, and capital modifications shall be the recovery period as shown in Table 3.1 of this NPR.

3.6.3 Real Property PP&E acquisitions, construction, or capital modifications that meet the capitalization criteria shall be capitalized individually and depreciated over the recovery periods for modifications shown in Table 3.1.

3.6.4 Real Property Not Fully Depreciated. Modifications to real property that is not fully depreciated, that meet the capitalization criteria shall be capitalized and depreciated over the recovery periods for modifications shown in Table 3.1.

3.6.5 Real Property Modifications When The Asset Being Modified Is Fully Depreciated. Modifications to real property that is fully depreciated, that meet the capitalization criteria shall be capitalized individually and depreciated over the recovery periods for modifications shown in Table 3.1.

Table 3.1, RECOVERY PERIODS FOR REAL PROPERTY ASSETS

NASA RECOVERY PERIODS FOR REAL PROPERTY ASSETS (Excludes Heritage Assets)		
Description of General PP&E Assets	Recovery Period	
	Initial Acquisition	Modification/Improvement
Buildings, Hangars, Warehouses, Fuel Storage Buildings, Air Traffic Control Towers, and Other Real Property Buildings	40 Years	20 Years
Other Structures and Facilities	15 Years	5 Years
Improvements to Leased Buildings and Other Real Property (Leasehold Improvements)		Remainder of Lease Period or 20 Years, whichever is less.

3.7 Real Property not in use

3.7.1 See Section 2.5.3.

3.8 Disposal

3.8.1 See Section 2.5.2.

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